

Message Text

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C O N F I D E N T I A L VIENNA 8975

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FOR EUR/CE - BRUCE FLATIN

E.O. 11652: GDS

TAGS: PFOR OVIP (KREISKY, BRUNO) AU

SUBJECT: KREISKY VISIT TO US: ISSUES PAPER-VALUE ADDED TAX

REF: VIENNA 8873

1. AUSTRIAN POSITION: OFFICIAL AND PERSONAL PURCHASES BY FOREIGN MISSIONS AND DIPLOMATS IN VIENNA ARE NOT EXEMPT AS A MATTER OF PRINCIPLE FROM THE VALUE ADDED TAX (VAT). BECAUSE OF CONTRACTUAL AGREEMENTS WITH UNIDO AND IAEA, AUSTRIA HAS AGREED TO EXEMPT OFFICIAL PURCHASES EXCEEDING THE EQUIVALENT OF \$55. AS A MATTER OF ACCOMMODATION, AUSTRIA HAS OFFERED TO EXEMPT OFFICIAL PURCHASES OF DIPLOMATIC MISSIONS ABOVE A YET-TO-BE ESTABLISHED AMOUNT BUT NOT PERSONAL PURCHASES.

2. U.S. POSITION: OFFICIAL PURCHASES BY US MISSIONS IN AUSTRIA AND PERSONAL PURCHASES BY USG PERSONNEL IN AUSTRIA SHOULD, ON THE BASIS OF CUSTOM AND PRACTICE, RECIPROCITY, AND OF OUR INTERPRETATION OF APPLICABLE INTERNATIONAL AGREEMENTS, BE EXEMPT FROM THE APPLICATION OF VAT JUST AS AUSTRIAN MISSION AND PERSONNEL IN WASHINGTON ARE
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EXEMPT FROM ALL SALES TAXES, THE NEAREST EQUIVALENT

OF THE VAT. WE ARE WILLING TO DISCUSS THE MINIMUM AMOUNT FOR EXEMPTION AND THE PROCEDURES FOR ADMINISTERING ANY ARRANGEMENT.

3. BACKGROUND: EARLY IN 1974 THE DIPLOMATIC CORPS IN VIENNA FORMED A COMMITTEE, CHAIRED BY US AMBASSADOR HUMES, TO PRESS THE AUSTRIAN GOVERNMENT FOR ACTION ON THE CORPS' LONGSTANDING REQUEST FOR EXEMPTION FROM THE VAT. SINCE THEN PROPOSALS AND COUNTER PROPOSALS HAVE BEEN PRESENTED BUT LITTLE FORWARD MOVEMENT HAS BEEN ACHIEVED. AUSTRIAN PROCRASTINATION ON THE ISSUE IS PROBABLY DUE TO RELUCTANCE TO ESTABLISH OFFICES FOR PROCESSING REFUNDS AND TO THE DOMESTIC OPTICS OF INTRODUCING REVISED LEGISLATION TO EXEMPT THE DIPLOMATIC CORPS FROM THE VAT. THE DIPLOMATIC CORPS THEREFORE CONCLUDED THAT A DIRECT APPROACH TO CHANCELLOR KREISKY OFFERED THE BEST PROSPECT OF GENERATING A FAVORABLE DECISION AND SUCH AN APPROACH WAS MADE ON OCT. 20. THE CHANCELLOR REACTED SYMPATHETICALLY TO THE CORPS' PRESENTATION AND SAID HE WOULD LOOK INTO THE MATTER.

4. TALKING POINTS: SHOULD THE VAT ISSUE BE RAISED, WE RECOMMEND YOU:

--INDICATE THE USG PRACTICE OF EXEMPTING FOREIGN MISSIONS AND PERSONNEL FROM THE APPLICATION OF STATE SALES TAXES OR OTHER TAXES UNDER AN EASY-TO-ADMINISTER SYSTEM.

--NOTE THAT, BASED ON A REASONABLE INTERPRETATION OF APPLICABLE INTERNATIONAL AGREEMENTS, ON CUSTOM AND PRACTICE AND ON RECIPROCITY, WE FEEL THAT USG MISSIONS AND PERSONNEL IN AUSTRIA SHOULD BE EQUALLY EXEMPT FROM VAT APPLICABILITY.

--EXPRESS THE HOPE THAT GIVEN THE EARLIER EXPRESSIONS OF GOOD WILL ON BOTH SIDES AND IN VIEW OF THE INTERESTS INVOLVED, IT SHOULD BE POSSIBLE TO RESOLVE THE ISSUE IN A MUTUALLY SATISFACTORY MANNER. HUMES

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